



Chairman's Statement

During the year, the world economy saw huge challenges and volatility. In light of unstable political situations in some regions, many enterprises choose to adopt a wait-and-see strategic approach. Year of 2002 was the year for local property developers to reassess their corporate planning. Soundwill has taken this opportunity to reposition itself and strengthen its competitive edge to stand ready for future opportunities.

The Group's flagship property – Soundwill Plaza – lies in the heart of the district. This well-known building is the largest beauty and slimming service complex in Hong Kong. Soundwill Plaza houses a variety of well-established outlets – many with popular brand names – including skincare and body-shaping salons, a yoga centre, hair salons, healthcare services and fashion boutiques. In view of economic slowdown in Hong Kong, Soundwill Plaza launched different types of promotional strategies for enhancement of the tenants' competitiveness. The existing occupancy rate of the Plaza is over 95 percent, a satisfactory level which provides a stable rental income for the Group.

Another commercial development – No. 8 Russell Street – is also situated in the heart of Causeway Bay. The office portion of No. 8 Russell Street was sold in 2001 and the retail portion was subsequently sold during the year.

Global telecommunications market is currently undergoing vast change and many telecommunications corporations are having a difficult time. Telecommunications is a non-core business of the Group. The Group remains prudent about investment in this sector. To protect its overall interests, the Group has made full impairment provision for all of its telecommunications investment and will continue to focus on overheads efficient programme and cost reduction. Property-related business would still be the core development of the Group.

The Group has entered into new re-financing arrangements with creditor banks under which interest rate for the Group's bank debts is reduced substantially. Not only will this move save interest expenses, but also reveal long-term support from the bankers of the Group as well as reinforce the Group's financial strength. Apart from this, proceeds derived from retail portion of No. 8 Russell Street, which was sold during the year, were used to reduce borrowings.

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In his 2003 Policy Address, the Chief Executive of Hong Kong Special Administrative Region stated that people of Hong Kong should be "backed by the Mainland", "capitalise on the rapid development of our Motherland" and "expedite economic integration with the Pearl River Delta". The Group is keeping an eye on the development in China in hope of seeking investment opportunities and strategic partners. Taking advantage of years of experience, the Group strives to maintain its path of steady growth by tapping the Mainland market and implementing a diversified business development strategy.

As a final note, I wish to thank all directors and staff for their dedication, as well as our bankers and shareholders for their support during the year.

Foo Kam Chu, Grace

Chairman

Hong Kong, 16 April 2003